

TOWN OF TUSAYAN, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT
For the Year Ended June 30, 2015
WITH REPORT OF
CERTIFIED PUBLIC ACCOUNTANTS

TOWN OF TUSAYAN, ARIZONA
Annual Expenditure Limitation Report
For the Year Ended June 30, 2015

Table of Contents

	PAGE
Independent Accountants' Report	1
Annual Expenditure Limitation Report - Part I.....	2
Annual Expenditure Limitation Report - Part II.....	3
Annual Expenditure Limitation Report - Reconciliation.....	4
Notes to Annual Expenditure Limitation Report.....	5



MEMBERS

CHAD B. ATKINSON, CPA
KRIS J. BRAUNBERGER, CPA
ROBERT S. COX, CPA
TODD B. FELTNER, CPA
K. MARK FROST, CPA
MORRIS J. PEACOCK, CPA

PHILLIP S. PEINE, CPA
STEVEN D. PALMER, CPA
MICHAEL K. SPILKER, CPA
KEVIN L. STEPHENS, CPA
MARK E. TICHENOR, CPA
MICHAEL J. TORGERSON, CPA

Independent Accountants' Report

The Auditor General of the State of Arizona and
The Honorable Mayor and Town Council
Town of Tusayan, Arizona

We have examined the accompanying Annual Expenditure Limitation Report of the Town of Tusayan, Arizona, for the year ended June 30, 2015. This report is the responsibility of the Town of Tusayan, Arizona's management. Our responsibility is to express an opinion on this report based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the amounts and disclosures in the report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the Annual Expenditure Limitation Report of the Town of Tusayan, Arizona, referred to above presents, in all material respects, the information prescribed by the uniform expenditure reporting system as described in Note 1.

HintonBurdick, PLLC

HintonBurdick, PLLC
February 15, 2016

TOWN OF TUSAYAN, ARIZONA
Annual Expenditure Limitation Report – Part I
Year Ended June 30, 2015

1. Economic Estimates Commission expenditure limitation	N/A	
2. Voter-approved alternative expenditure limitation (Approved 8/26/2014)	<u>\$ 4,089,800</u>	
3. Enter applicable amount from line 1 or line 2		\$ 4,089,800
4. Amount subject to the expenditure limitation (total amount from Part II, Line C)	1,511,977	
5. Board-authorized expenditures necessitated by a disaster declared by the Governor (Article IX, Sec. 20(2)(a), Arizona Constitution)	N/A	
6. Board-authorized expenditures necessitated by a disaster not declared by the Governor (Article IX, Sec. 20(2)(b), Arizona Constitution)	N/A	
7. Prior-year voter-approved expenditures to exceed the expenditure limitation for the reporting fiscal year (Article IX, Sec. 20(2)(c), Arizona Constitution)	N/A	
8. Qualifying capital improvement expenditures repaid in accordance with ARS Sec. 41-1279.07(I)	<u>N/A</u>	
9. Subtotal	1,511,977	
10. Board-authorized excess expenditures for the previous fiscal year necessitated by a disaster not declared by the Governor and not approved by the voters (Article IX, Sec. 20(2)(b), Arizona Constitution)	<u>N/A</u>	
11. Total adjusted amount subject to the expenditure limitation		<u>1,511,977</u>
12. Amount under (in excess of) the expenditure limitation (If excess expenditures are reported, provide an explanation)		<u>\$ 2,577,823</u>

I hereby certify, to the best of my knowledge and belief, that the information contained in this report is accurate and in accordance with the requirements of the uniform expenditure reporting system.

Signature of Chief Fiscal Officer: 

Name and Title: Eric Duthie, Town Manager

Telephone Number: 928-638-9909 Date: 3/9/16

TOWN OF TUSAYAN, ARIZONA
Annual Expenditure Limitation Report – Part II
Year Ended June 30, 2015

Description	Governmental Funds	Enterprise Funds	Fiduciary Funds	Total
A. Amounts reported on the Reconciliation Line D	\$ 1,511,977	\$ -	\$ -	\$ 1,511,977
B. Less exclusions claimed:				
1. Bond proceeds	-	-	-	-
Debt service requirements on bonded indebtedness	-	-	-	-
Proceeds from other long-term obligations	-	-	-	-
Debt service requirements on other long-term obligations	-	-	-	-
2. Dividends, interest and gains on the sale or redemption of investment securities	-	-	-	-
3. Trustee or custodian	-	-	-	-
4. Grants and aid from the Federal government	-	-	-	-
5. Grants, aid, contributions, or gifts from a private agency, organization, or individual except amounts received in lieu of taxes	-	-	-	-
6. Amounts received from the State of Arizona	-	-	-	-
7. Quasi-external interfund transactions	-	-	-	-
8. Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements	-	-	-	-
9. Highway user revenues in excess of those received in fiscal year 1979-80	-	-	-	-
10. Contracts with other political subdivisions	-	-	-	-
11. Refunds, reimbursements, and other recoveries	-	-	-	-
12. Voter-approved exclusions not identified above (attach resolution)	-	-	-	-
13. Prior years carryforward	-	-	-	-
14. Total exclusions claimed	-	-	-	-
C. Amount subject to the expenditure limitation (If an individual fund type amount is negative, reduce) exclusions claimed to net to zero.)	\$ 1,511,977	\$ -	\$ -	\$ 1,511,977
	\$ 1,511,977	\$ -	\$ -	\$ 1,511,977

TOWN OF TUSAYAN, ARIZONA
Annual Expenditure Limitation Report - Reconciliation
Year Ended June 30, 2015

Description	Governmental Funds	Enterprise Funds	Fiduciary Funds	Total
A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements	\$ 1,511,977	\$ -	\$ -	\$ 1,511,977
B. Subtractions:				
1. Items not requiring use of working capital:				
Depreciation	-	-	-	-
Loss on disposal of fixed assets	-	-	-	-
Bad debt expense	-	-	-	-
Other postemployment benefits expense	-	-	-	-
Claims incurred but not reported	-	-	-	-
Landfill closure and postclosure care costs	-	-	-	-
2. Expenditures of separate legal entities established under Arizona Revised Statutes	-	-	-	-
3. Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at inception of the agreements	-	-	-	-
4. Involuntary court judgments	-	-	-	-
5. Total subtractions	-	-	-	-
C. Additions:				
1. Principal payments on long-term debt	-	-	-	-
2. Acquisition of capital assets	-	-	-	-
3. Other postemployment benefits paid in the current year but reported as expenses in previous years	-	-	-	-
4. Claims paid in the current year but reported as expenses incurred but not reported in previous years	-	-	-	-
5. Landfill closure and postclosure care costs paid in the current year but reported as expenses in previous years	-	-	-	-
6. Total additions	-	-	-	-
D. Amounts reported on Part II, Line A	\$ 1,511,977	\$ -	\$ -	\$ 1,511,977

TOWN OF TUSAYAN, ARIZONA
Notes to the Annual Expenditure Limitation Report
June 30, 2015

Note 1. Summary of Significant Accounting Policies

The Annual Expenditure Limitation Report (AELR) is presented as prescribed by the *Uniform Expenditure Reporting System* (UERS), as required by Arizona Revised Statutes §41-1279.07, and in accordance with the voter-approved alternative expenditure limitation adopted August 26, 2014, as authorized by the Arizona Constitution, Article IX, §20(9).

In accordance with the UERS requirements, a note to the AELR is presented below for any exclusion claimed in part II and each subtraction or addition in the Reconciliation that cannot be traced directly to an amount reported in the annual fund-based financial statements. All references to financial statement amounts in the following notes refer to the Statement of Revenues, Expenditures, and Changes in Fund Balances for the Governmental Funds, Statement of Revenues, Expenses, and Changes in Net Position for the Proprietary Funds, Statement of Cash Flows for the Proprietary Funds, and the Statement of Changes in Fiduciary Net Position.

Note 2. Reconciliation Subtractions and Additions

The Town currently does not operate any Enterprise funds; thus, there are no subtractions or additions for enterprise funds that would be applicable.

There are also no subtractions or additions applicable for any of the governmental activities for the current year.

Note 3. Exclusions

Exclusions from local revenues, including those enumerated in the Constitution, may be taken against alternative expenditure limitation only if such exclusions are specifically identified in the resolution and the publicity pamphlet. There are no such exclusions specifically identified.



HINTONBURDICK

CPAs & ADVISORS

MEMBERS

CHAD B. ATKINSON, CPA
KRIS J. BRAUNBERGER, CPA
ROBERT S. COX, CPA
TODD B. FELTNER, CPA
K. MARK FROST, CPA
MORRIS J. PEACOCK, CPA

PHILLIP S. PEINE, CPA
STEVEN D. PALMER, CPA
MICHAEL K. SPILKER, CPA
KEVIN L. STEPHENS, CPA
MARK E. TICHENOR, CPA
MICHAEL J. TORGERSOHN, CPA

February 15, 2016

To the Honorable Mayor and Town Council
Town of Tusayan, Arizona

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Tusayan, Arizona (the Town) for the year ended June 30, 2015, and have issued our report thereon dated February 15, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated October 21, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town are described in Note 1 to the financial statements. The Town changed accounting policies related to financial reporting by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 68 *Accounting and Financial Reporting for Pensions* and No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date* in fiscal year 2015. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Town's financial statements.

We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of depreciation expense is based on the useful lives of the underlying assets. We evaluated the key factors and assumptions used to develop depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

For purposes of measuring the deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, management's estimates have been determined on the same basis as they are reported by the Arizona State Retirement System (ASRS). The key factors and assumptions used to develop the valuation and the accrual appear reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear

Difficulties Encountered in Performing the Audit

Outside of the additional work to implement GASB 68, we encountered no significant difficulties in performing the audit and there were no difficulties dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. A list of adjustments has been provided to management and management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 15, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of Town Council and management of the Town and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



HintonBurdick, PLLC



MEMBERS

CHAD B. ATKINSON, CPA
KRIS J. BRAUNBERGER, CPA
ROBERT S. COX, CPA
TODD B. FELTNER, CPA
K. MARK FROST, CPA
MORRIS J. PEACOCK, CPA

PHILIP S. FEINE, CPA
STEVEN D. PALMER, CPA
MICHAEL K. SPILKER, CPA
KEVIN L. STEPHENS, CPA
MARK E. TICHENOR, CPA
MICHAEL J. TORGERSON, CPA

**Findings and Recommendations
For the Year Ended June 30, 2015**

The Honorable Mayor and
Town Council
Tusayan, Arizona

Professional standards require that we communicate, in writing, deficiencies in internal control over financial reporting that are considered significant deficiencies or material weaknesses that are identified during the audit of the financial statements. We wish to commend the Town for their administrative achievements and oversight of the Town's accounting and budget system. During our audit of the funds of the Town of Tusayan for the fiscal year ended June 30, 2015 we noted a few areas that may need corrective action in order for the Town to be in compliance with laws and regulations and we found a few circumstances that, if improved, would strengthen the Town's accounting system and control over its assets. These items are discussed below for your consideration.

INTERNAL CONTROL OVER FINANCIAL REPORTING:

Significant Deficiencies:

11-1. Year-end Accounting -prior year reissued

Finding

During our audit we made recommendations for a few significant journal entries that were necessary to record year end accruals and other miscellaneous adjustments. Management did a good job reconciling accounts and getting current year journal entries posted. However, Statement on Auditing Standards number 115 requires us to consider and report material audit adjustments as a deficiency in controls over financial reporting.

Recommendation

We recommend that management review the journal entries and discuss them with us to ensure you agree with the entries, and understand the purpose and underlying accounting principles associated with each entry and that management make every effort to record all year-end adjustments in a timely manner.

11-2. Segregation of Duties-prior year reissued

Finding

The Town's cash receipts and disbursements cycles lack a complete segregation of duties. We understand that the size of the Town's administrative staff prohibits the complete and proper segregation of duties within its accounting functions. Such segregation of duties provide important safeguards and controls to insure the proper recording, deposit and disposition of the Town's funds. During fiscal year 2015, the same individual who recorded cash receipts and cash disbursements in the accounting system also, prepared cash disbursements and prepared bank reconciliations. Monthly review of financial reports and cash disbursements by the Town Council and the Town Manager mitigates this weakness somewhat. We mention proper segregation in order to remind management of its importance until such time as the Town can fully segregate custody of assets and recording functions. For example, those who have access to the accounting system and those who perform reconciling functions should be segregated from handling cash receipts and cash disbursements.

Recommendation

The Town Council and management should consider ways that segregation of duties can be improved or additional mitigating controls can be established within the accounting and administrative functions as the Town continues to grow and additional staff are considered necessary.

11-3. Policies and Procedures-prior year reissued

Finding

We noted that the Town does not have a complete Policies and Procedures Manual. Such a manual is important in establishing the financial policies and procedures, flow of documents, job descriptions, responsibilities and duties, and general operating environment of any type of organization. Items that should be addressed as a part of a complete Policies and Procedures Manual include:

- Budgetary Procedures
- Purchasing Procedures (including purchase order policy)
- Cash Management - Treasury Functions
- Capital Asset Management Procedures
- Personnel Duties and Responsibilities (Job Descriptions)
- Access to Computer Data/Programs/Software
- Records Retention Policy
- EEOC Policy, Drug Free Workplace Policy
- Related Party Policy
- Conflict of Interest Policy
- Chart of organization
- Compensation and fringe benefit policies
- Vacation and Holiday policies

Recommendation

We recommend that the Town develop and implement a Policies and Procedures Manual as described above. The Town may consider consulting with our firm or local governmental entities of similar size to obtain Policies and Procedures manuals or materials that may help you in developing and implementing policies and procedures specific to the Town.

COMPLIANCE AND OTHER MATTERS:

None noted

Responses

Please respond to the above Findings and Recommendations in letter form.

This report is intended solely for the information and use of the Town Council, management, and various federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

It has been a pleasure to be of service to the Town this past year. We would like to express special thanks to all those who assisted us so efficiently in this year's audit. We invite you to ask questions of us throughout the year as you feel necessary. We look forward to a continued professional relationship.

Sincerely,

A handwritten signature in cursive script that reads "HintonBurdick PLLC".

HintonBurdick, PLLC

February 15, 2016

**Other Items Communicated to Management
For the Year Ended June 30, 2015**

Eric Duthie, Town Manager
Town of Tusayan, Arizona

The following are findings and recommendations that have not been included with our findings and recommendations letter since they are only related to suggestions for improvements to accounting functions or they may be deemed to be less significant and/or management is aware of the findings and are working on resolutions.

Control Deficiencies:

11-4. Fraud Risk Management-prior year reissued

The Town has not formally developed a documented fraud risk management program that is appropriate for the size and complexity of the Town, including identifying fraud risks and taking appropriate action to reduce or eliminate the risks.

Recommendations


We recommend that the Town formally develop and adopt a fraud risk management program that is appropriate for the size and complexity of the Town, including identifying fraud risks and taking appropriate action to reduce or eliminate the risks. We would be happy to provide guidance or assistance to the Town in developing such a policy.

A formal written response to these findings and recommendations is not necessary.

This report is intended solely for the information and use of the Town management and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

It has been a pleasure to be of service to the Town this past year. We would like to express special thanks to all those who assisted us so efficiently in this year's audit. We invite you to ask questions of us throughout the year as you feel necessary. We look forward to a continued professional relationship.

Sincerely,



HintonBurdick, PLLC
February 15, 2016

TOWN OF TUSAYAN, ARIZONA



FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2015

WITH REPORT OF

CERTIFIED PUBLIC ACCOUNTANTS

TOWN OF TUSAYAN

Table of Contents

	<u>Page</u>
Independent Auditors' Report on Financial Statements.....	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	17
Statement of Fiduciary Net Position – STILO Trust Agency Fund	18
Notes to Financial Statements	19
Required Supplementary Information:	
Statement of Revenues, Expenditures, and Changes in Fund Balances – General Fund – Budget and Actual.....	36
Statement of Revenues, Expenditures, and Changes in Fund Balances – HURF Fund – Budget and Actual.....	38
Supplementary Information – Non-major Fund Budgetary Comparison Schedule	40
Other Communications from Independent Auditor:	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters.....	43
Report on Compliance with State Laws and Regulations.....	45

This page intentionally left blank



MEMBERS

CHAD B. ATKINSON, CPA
KRIS J. BRAUNBERGER, CPA
ROBERT S. COX, CPA
TODD B. FELTNER, CPA
K. MARK FROST, CPA
MORRIS J. PEACOCK, CPA

PHILLIP S. PEINE, CPA
STEVEN D. PALMER, CPA
MICHAEL K. SPILKER, CPA
KEVIN L. STEPHENS, CPA
MARK E. TICHENOR, CPA
MICHAEL J. TORGERSON, CPA

Independent Auditors' Report

The Honorable Mayor and
Town Council
Tusayan, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Tusayan, Arizona, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Tusayan as of June 30, 2015, and the respective changes in financial position and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2016, on our consideration of the Town of Tusayan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Tusayan's internal control over financial reporting and compliance.



HintonBurdick, PLLC
Flagstaff, Arizona
February 15, 2016

**TOWN OF TUSAYAN, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015**

As management of the Town of Tusayan (Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2015. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- Total assets exceeded total liabilities (net position) by \$9,271,467 at the end of the fiscal year.
- Total revenues from all sources were \$3,744,488 and the total cost of all Town programs was \$1,453,421 resulting in an increase of net position of \$2,291,067.
- Sales tax collections of \$3,359,167 were up from the prior year amount of \$2,802,777.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$7,740,134.
- At the end of the fiscal year, restricted fund balance for the HURF Fund was \$144,567 and unrestricted fund balance was \$66,318.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements which include the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the Town as a whole. (2) Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. (3) Notes to the financial statements.

Reporting the Town as a Whole

The Statement of Net Position and the Statement of Activities (Government-wide)

A frequently asked question regarding the Town's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net position and its changes. Net position, the difference between assets and liabilities, are one way to measure the Town's financial health, or financial position. Over time, an increase or decrease in net position is an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the condition of the Town's roads to accurately assess the overall health of the Town.

The Statement of Net Position and the Statement of Activities, present information about the following:

- **Government activities** – All of the Town's basic services are considered to be governmental activities, including general government, public safety, public works/streets, culture and recreation, economic development, health and welfare and interest on long-term debt. Sales taxes, State Revenue Sharing, intergovernmental revenues and charges for services finance most of these activities.
- **Proprietary activities/Business type activities** – The Town currently does not maintain any proprietary activities; all activities are accounted for as governmental activities.

Reporting the Town's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, management may establish many other funds which aid in the management of money for particular purposes or meet legal responsibilities associated with the usage of certain taxes, grants, and other money. The Town's two major funds use the accounting approach as explained below.

- **Governmental funds** – All of the Town's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Government fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation included with the Basic Financial Statements and in footnote 2.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the Town's financial position. The Town's combined assets exceed liabilities by \$9.3 million as of June 30, 2015 as shown in the following condensed statement of net position.

TOWN OF TUSAYAN, ARIZONA Statement of Net Position

	Governmental activities	
	6/30/2015	6/30/2014
Current and other assets	\$ 8,107,250	\$ 5,842,175
Capital assets	1,289,333	1,254,870
Total assets	9,396,583	7,097,045
Deferred outflows of resources	24,093	-
Long-term liabilities outstanding	-	-
Other liabilities	149,209	116,645
Total liabilities	149,209	116,645
Net position:		
Net investment in capital		
assets	1,289,333	1,254,870
Restricted	144,567	133,377
Unrestricted	7,837,567	5,592,153
Total net position	\$ 9,271,467	\$ 6,980,400

Governmental Activities

The cost of all Governmental activities this year was \$1,453,421 as shown on the Changes in Net Position statement on the following page. \$37,367 of this cost was paid for by those who directly benefited from the programs. \$82,357 was subsidized by grants received from other governmental organizations for both capital and operating activities. Overall governmental program revenues, including intergovernmental aid and fees for services were \$119,724. General taxes, State Revenue Sharing and investment earnings totaled \$3.6 million.

The Town's programs include: General Government, Public Safety, Public Works/Streets, Culture & Recreation, and Economic Development. Each program's net cost (total cost less revenues generated by the activities) are presented on the following page. The net cost shows the extent to which the Town's general revenues or taxes support each of the Town's programs.

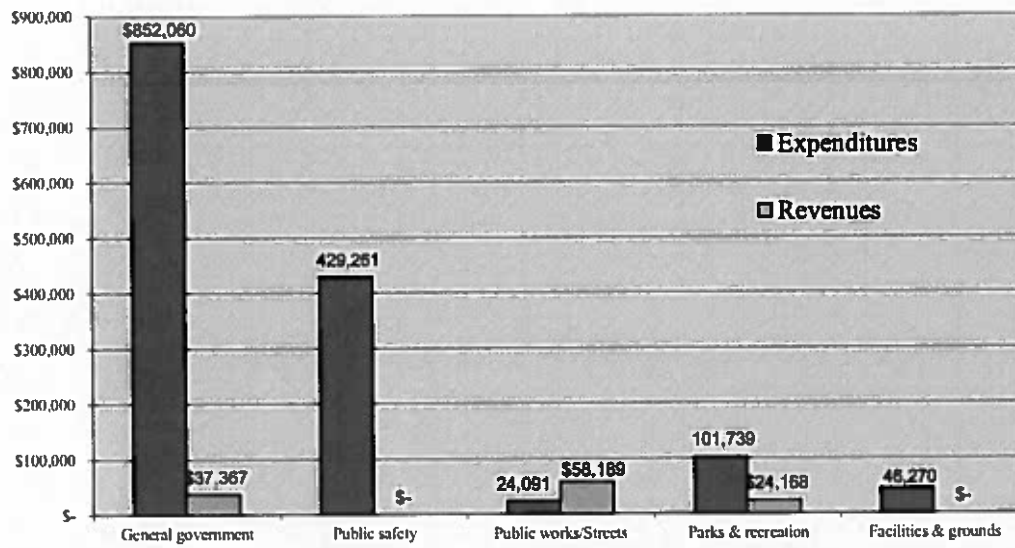
TOWN OF TUSAYAN, ARIZONA
Changes in Net Position

	Governmental activities	
	6/30/2015	6/30/2014
Revenues:		
Program revenues:		
Charges for services	\$ 37,367	\$ 5,379
Operating grants and contributions	58,189	52,133
Capital grants and contributions	24,168	11,250
General revenues:		
Taxes	3,433,118	2,802,777
Urban revenue sharing	181,584	167,194
Investment earnings	10,062	3,925
Other revenue/(expense)	-	911
Total revenues	3,744,488	3,043,569
Expenses:		
General government	852,060	624,697
Public safety	429,261	400,171
Public works/Streets	24,091	11,321
Parks and recreation	101,739	54,015
Facilities and grounds	46,270	53,437
Total expenses	1,453,421	1,143,641
Increase (Decrease) in net assets before transfers	2,291,067	1,899,928
Transfers	-	-
Net position, beginning	6,980,400	5,080,472
Net position, ending	\$ 9,271,467	\$ 6,980,400

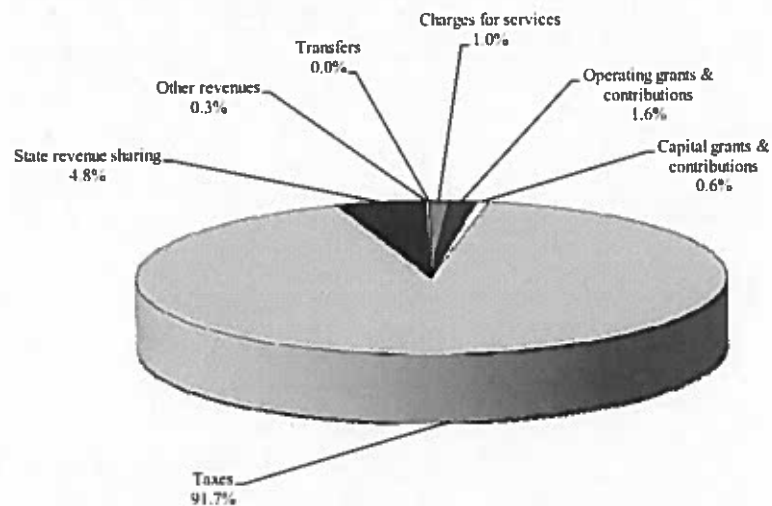
Total resources available during the year to finance governmental operations were \$10.7 million consisting of net position at July 1, 2014 of \$6.98 million, program revenues of \$119,724 and General Revenues of \$3.6 million. Total Governmental Activities during the year were \$1.45 million; thus Governmental Net Position increased by \$2.3 million to a total of \$9,271,467.

The following graphs compare program expenses to program revenues and provide a breakdown of revenues by source for all governmental activities:

Expenses and Program Revenues - Governmental Activities
(In Thousands)



Revenue By Source - Governmental Activities



Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds: The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$7,958,041, an increase of \$2,232,511 in comparison with the prior year. Approximately 98% or \$7,806,452 constitutes unassigned fund balance which is available for spending at the government's discretion. The remainder of the fund balance, or \$144,567, is restricted to indicate that it is not available for new spending because it has already been committed to pay for highways and streets.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance in the General fund was \$7,740,134. As a measure of liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The unassigned fund balance at year end represents 537% of the total General Fund fiscal year 2015 expenditures. During the year, the General Fund balance increased by \$2,198,365. The Town budgeted to increase the fund balance by \$47,700. The excess revenues over expenditures (fund balance) are anticipated to be expended in future years.

The Highway User Revenue Fund has a total fund balance of \$210,885, of which \$144,567 is restricted for road construction and maintenance. The fund balance increased during the current year by \$34,146.

Budgetary Highlights

General Fund revenues of \$3,639,175 were \$1,026,675 greater than budgeted revenues of \$2,612,500. Greater than anticipated revenue from city sales taxes was the major factor contributing to this variance. General Fund expenditures were \$1,123,990 less than budgeted. The Town had many planned capital outlay and other expenditures that were not made during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the Town are those assets that are used in performance of Town functions including infrastructure assets. Capital assets include land, buildings, improvements other than buildings, equipment, vehicles, park facilities and roads. At the end of fiscal year 2015, net capital assets of the government activities totaled \$1,289,333. Significant capital asset additions during fiscal year 2015 were the Town Hall parking improvements of \$14,586, solar powered blinker at \$16,000, sidewalk improvements of \$24,104 and affordable housing construction in progress of \$32,575. Depreciation on capital assets for government activities is recognized in the Government-Wide financial statements. (See note 5 to the financial statements.)

Debt

At year-end, the Town did not have any long-term debt.

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the Town Budget for fiscal year 2015/2016, the Town Council and management were cautious as to the growth of revenues and expenditures due to a slow economy. Overall governmental fund operating expenditures were budgeted to increase slightly due to increased levels of service.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact: Town of Tusayan, Finance Department, P.O. Box 709, Tusayan, Arizona 86023.

This page intentionally left blank

BASIC FINANCIAL STATEMENTS

TOWN OF TUSAYAN, ARIZONA
Statement of Net Position
June 30, 2015

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 7,779,929
Receivables (net of allowance)	320,299
Prepaid expense	7,022
Inventories	-
Capital assets (net of accumulated depreciation):	
Construction in progress	53,347
Buildings	622,106
Improvements other than buildings	465,885
Furniture, equipment & vehicles	147,995
Infrastructure/Roads	-
Total assets	<u>9,396,583</u>
Deferred Outflows of Resources	
Deferred outflows related to pensions	24,093
Total deferred outflows of resources	<u>24,093</u>
Liabilities	
Accounts payable and other current liabilities	149,209
Total liabilities	<u>149,209</u>
Net Position	
Net investment in capital assets	1,289,333
Restricted for:	
Highways & streets	144,567
Unrestricted	7,837,567
Total net position	<u><u>\$ 9,271,467</u></u>

The accompanying notes are an integral part of the financial statements.

TOWN OF TUSAYAN ARIZONA
Statement of Activities
For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Total
Governmental activities:						
General government	\$ 852,060	\$ 37,367	\$ -	\$ -	\$ (814,693)	\$ (814,693)
Public safety	429,261	-	-	-	(429,261)	(429,261)
Public works/Streets	24,091	-	58,189	-	34,098	34,098
Parks & recreation	101,739	-	-	24,168	(77,571)	(77,571)
Facilities & grounds	46,270	-	-	-	(46,270)	(46,270)
Total governmental activities	1,453,421	37,367	58,189	24,168	(1,333,697)	(1,333,697)
Total primary government	<u>\$ 1,453,421</u>	<u>\$ 37,367</u>	<u>\$ 58,189</u>	<u>\$ 24,168</u>	<u>(1,333,697)</u>	<u>(1,333,697)</u>
General Revenues:						
Taxes:						
City sales tax					3,359,167	3,359,167
State sales tax					50,995	50,995
Auto lieu tax					22,956	22,956
Franchise tax					-	-
Urban revenue sharing					181,584	181,584
Unrestricted investment earnings					10,062	10,062
Total general revenues & transfers					<u>3,624,764</u>	<u>3,624,764</u>
Change in net position					2,291,067	2,291,067
Net position - beginning					<u>6,980,400</u>	<u>6,980,400</u>
Net position - ending					<u>\$ 9,271,467</u>	<u>\$ 9,271,467</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF TUSAYAN ARIZONA
Balance Sheet
Governmental Funds
June 30, 2015

	General Fund	Highway Users Revenue Fund	Non-major Grants Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 7,576,731	\$ 203,198	\$ -	\$ 7,779,929
Receivables, net:				
Intergovernmental	282,644	7,687	13,279	303,610
Due from other funds	16,689	-	-	16,689
Prepaid insurance	7,022	-	-	7,022
Total Assets	\$ 7,883,086	\$ 210,885	\$ 13,279	\$ 8,107,250
Liabilities				
Accounts Payable	\$ 86,218	\$ -	\$ -	\$ 86,218
Accrued wages and benefits	49,712	-	-	49,712
Due to other funds	-	-	13,279	13,279
Total Liabilities	135,930	-	13,279	149,209
Fund Balances				
Nonspendable:				
Prepaid items	7,022	-	-	7,022
Restricted for:				
Public works/streets	-	144,567	-	144,567
Unassigned	7,740,134	66,318	-	7,806,452
Total fund balances	7,747,156	210,885	-	7,958,041
Total Liabilities and fund balances	\$ 7,883,086	\$ 210,885	\$ 13,279	\$ 8,107,250

The accompanying notes are an integral part of the financial statements.

TOWN OF TUSAYAN ARIZONA
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2015

Total fund balances - governmental funds \$ 7,958,041

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Governmental capital assets	\$	1,440,377	
Accumulated depreciation		<u>(151,044)</u>	
			<u>1,289,333</u>

Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.

24,093

Total net position - governmental activities \$ 9,271,467

The accompanying notes are an integral part of the financial statements.

TOWN OF TUSAYAN ARIZONA
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
For the Year Ended June 30, 2015

	General Fund	Highway Users Revenue Fund	Non-major Grants Fund	Total Governmental Funds
REVENUES				
Sales taxes	\$ 3,359,167	\$ -	\$ -	\$ 3,359,167
Licenses and permits	37,367	-	-	37,367
Intergovernmental	232,579	81,145	24,168	337,892
Interest revenue	10,062	-	-	10,062
Total revenues	<u>3,639,175</u>	<u>81,145</u>	<u>24,168</u>	<u>3,744,488</u>
EXPENDITURES				
Current:				
General government	842,927	-	-	842,927
Public safety	429,261	-	-	429,261
Public works/streets	-	46,999	-	46,999
Parks & recreation	57,966	-	24,168	82,134
Facilities & grounds	46,270	-	-	46,270
Capital outlay	64,386	-	-	64,386
Total expenditures	<u>1,440,810</u>	<u>46,999</u>	<u>24,168</u>	<u>1,511,977</u>
Excess of Revenues Over (Under) Expenditures	<u>2,198,365</u>	<u>34,146</u>	<u>-</u>	<u>2,232,511</u>
Fund balances, beginning of year	<u>5,548,791</u>	<u>176,739</u>	<u>-</u>	<u>5,725,530</u>
Fund balances, end of year	<u>\$ 7,747,156</u>	<u>\$ 210,885</u>	<u>\$ -</u>	<u>\$ 7,958,041</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF TUSAYAN ARIZONA
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2015

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 2,232,511
--	--------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the difference between capital outlay and depreciation in the current period.

Capital outlay	\$ 100,478	
Depreciation expense	<u>(66,015)</u>	
		34,463

Pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the net pension liability is measured a year before the Town's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.

24,093

Change in net position of governmental activities	<u><u>\$ 2,291,067</u></u>
---	----------------------------

The accompanying notes are an integral part of the financial statements.

TOWN OF TUSAYAN ARIZONA
Statement of Fiduciary Net Position
Agency Fund
June 30, 2015

	<u>STILO Agency Fund</u>
ASSETS	
Accounts receivable	<u>\$ 3,410</u>
Total assets	<u>3,410</u>
LIABILITIES	
Accounts payable	\$ -
Due to other funds	<u>3,410</u>
Total liabilities	<u>3,410</u>
NET POSITION	
Net Position (Deficit) Held in Trust	<u><u>\$ -</u></u>

The accompanying notes are an integral part of the financial statements.

TOWN OF TUSAYAN, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 1. Summary of Significant Accounting Policies

Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, when applicable, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

Reporting entity

The Town of Tusayan (Town) was incorporated in April 2010, under the provisions of Article 13, Sections 1 through 6, of the Constitution of Arizona and Title 9 of the Arizona Revised Statutes. The Town is a municipal corporation governed by an elected five member council (council). The council members appoint the mayor and vice-mayor. The accompanying financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Town. Currently, there are no blended or discretely presented component units reported with the Town.

Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Basis of presentation – fund financial statements

The fund financial statements provide information about the Town's funds, including its fiduciary funds. Separate statements for each fund category—governmental and fiduciary—are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

TOWN OF TUSAYAN, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 1. Summary of Significant Accounting Policies, Continued

The Town reports the following major governmental funds:

The **General Fund** is the Town's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The **Highway User Revenue Special Revenue Fund** is used to account for the Town's share of motor fuel tax revenues which are restricted for the maintaining, repairing, and upgrading of streets.

Additionally, the Town reports the following fund types:

The **Agency Fund** accounts for assets held by the Town as an agent for a developer, the STILO Group. The developer is paying for planning services and all application costs based upon an agreement between the developer and the Town. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

During the course of operations the Town has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and agency funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

TOWN OF TUSAYAN, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 1. Summary of Significant Accounting Policies, Continued

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Sales taxes, other taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the Town.

Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

Deposits and investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, deposits in cash management pools that have the general characteristics of demand deposits accounts and short-term investments with original maturities of three months or less from the date of acquisition. The Town's policy for investments is provided in Note 4. All investments are carried at fair value with unrealized gains and losses recorded as adjustments to interest earnings. Fair market values are based on quoted market prices.

Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to" or "due from other funds. Due to the nature of the accounts receivable in governmental type activities, management does not consider an allowance for uncollectible accounts receivable necessary or material. Therefore, no allowance for uncollectible accounts receivable is presented.

Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

TOWN OF TUSAYAN, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 1. Summary of Significant Accounting Policies, Continued

Inventories

The cost of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activity column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of three years.

As the Town constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	25 to 50 years
Machinery, vehicles and equipment	5 to 10 years
Storm drains and inlets	20 years
Infrastructure - Streets and sidewalks	20 years

Unearned revenue

Unearned revenues arise when potential revenue is received by the Town from various granting agencies before it has a legal claim to them or when grant monies are received prior to the incurrence of qualifying expenditures, i.e., contract and grant receipts received in excess of expenditures incurred are recognized as unearned revenue. In subsequent periods, when the revenue recognition criteria is met, or when the Town has a legal claim to the resources, the liability or unearned revenue is removed from the balance sheet and the revenue is recognized.

TOWN OF TUSAYAN, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 1. Summary of Significant Accounting Policies, Continued

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government currently has one item which qualifies for reporting in this category. This item is a pension related item reported on the government-wide financial statements. See note 8 for more information.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has no items that qualify for reporting under this category.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position of the Arizona State Retirement System (ASRS) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by ASRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net position flow assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumptions

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

TOWN OF TUSAYAN, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 1. Summary of Significant Accounting Policies, Continued

Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Town itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Town's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the Town that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as committed. The Town Manager is authorized to assign amount to a specific purpose in accordance with the Town's budget policy. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and expenditures/expenses

Program revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Taxes

The Town does not currently have any primary or secondary real property tax levies.

Normally, property tax revenues are recognized as revenues in the year collected or if collected within 60 days thereafter unless they are prepaid.

TOWN OF TUSAYAN, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 1. Summary of Significant Accounting Policies, Continued

Compensated absences

For governmental funds, amounts of vested or accumulated vacation and sick leave that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net position and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements. Currently, the Town has no full time employees and no liabilities for compensated absences.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

New pronouncements

For the year ended June 30, 2015, the Town implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension assets and liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. In addition, Statement No. 68 requires disclosure of information related to pension benefits. Implementation of these new Statements will not result in a restatement of beginning net position in the Town's government-wide financial statements until fiscal year 2016 (see Note 8).

TOWN OF TUSAYAN, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 2. Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. The details of this difference are reported in the reconciliation on page 15.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. These differences are the result of converting from the current resources measurement focus and modified accrual basis for governmental fund statements to the economic resources measurement focus and full accrual basis used for government-wide statements. The details of these differences are reported in the reconciliation on page 17.

Note 3. Stewardship, Compliance, and Accountability

Stewardship, compliance, and accountability are key concepts in defining the responsibilities of the Town. The use of budgets and monitoring of equity status facilitate the Town's compliance with legal requirements.

Budgets and Budgetary Accounting

The Town Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Arizona Revised Statutes, the Town Manager submits a proposed budget for the fiscal year commencing the following July 1 to the Town Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to the third Monday in August, the expenditure limitation for the Town is legally enacted through passage of an ordinance. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total Town expenditures from the audited financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).
4. The Town follows a voter-approved alternative expenditure limitation that was adopted on August 26, 2014.

TOWN OF TUSAYAN, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 3. Stewardship, Compliance, and Accountability, Continued

5. Expenditures may not legally exceed the expenditure limitation of all fund types as a whole. For management purposes, the Town adopts a budget by department for the General Fund and in total by fund for other funds. The Town Manager, subject to Town Council approval, may at any time transfer any unencumbered appropriation balance or portion thereof between a department or activity. The adopted budget cannot be amended in any way without Town Council approval.
6. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

The Town is subject to the State of Arizona's Spending Limitation Law for Towns and Cities. This law does not permit the Town to spend more than budgeted revenues plus the carry-over unrestricted cash balance from the prior fiscal year. The limitation is applied to the total of the combined funds. The Town complied with this law during the year.

Expenditures over Appropriations

Expenditures may not legally exceed budgeted appropriations at the department level. The individual Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual reports as listed in the table of contents present all of the departments which incurred an excess of expenditures/expenses over appropriations for the year ended June 30, 2015.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Town.

Note 4. Deposits and Investments

A reconciliation of cash and investments as shown on the statement of net position follows:

Cash and cash equivalents	\$ 7,779,929
Investments	-
Restricted cash and cash equivalents	-
 Total cash and investments	 <u>\$ 7,779,929</u>

TOWN OF TUSAYAN, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 4. Deposits and Investments, Continued

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The Town does not have a formal policy for custodial credit risk. At June 30, 2015, cash on hand was \$0, and the carrying amount of the Town's deposits was \$7,779,929. As of June 30, 2015, the Town's bank balance was \$7,824,616 and \$7,324,616 of that balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.

Investments

The Arizona State Treasurer's Office operates the Local Government Investment Pool (LGIP). The LGIP is available for investment of funds administered by any Arizona Public Treasurer.

The LGIP is not registered with the SEC as an investment company. Deposits in the LGIP are not insured or otherwise guaranteed by the State of Arizona, and participants share proportionally in any realized gain or losses on investments.

The provisions of State law (A.R.S. 35-323) govern the investment of funds in excess of \$100,000. A.R.S. 35-323 allows for investments in certificates of deposit, interest bearing savings accounts, repurchase agreements with a maximum maturity of 180 days, pooled investment funds established by the State Treasurer, obligations guaranteed by the United States, bonds of the State of Arizona or other local municipalities, commercial paper of prime quality that is rated "P-1" by Moody's investors or "A-1" by Standard and Poor's rating service, and bonds, debentures or notes that are issued by corporations organized and doing business in the United States subject to certain restrictions. For investments of less than \$100,000, procedures as specified by local ordinance or resolution must be followed.

As of June 30, 2015 the Town did not hold any funds in the LGIP or any other investments.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the provisions of State law (A.R.S. 35- 323) which requires that the Town's investment portfolio maturities do not exceed five years from the time of purchase.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town's policy for reducing its exposure to credit risk is to comply with State law (A.R.S. 35-323) which limits investment in commercial paper and corporate bonds to the top ratings issued by nationally recognized statistical rating organizations such as Standard & Poor's and Moody's Investor Services.

TOWN OF TUSAYAN, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 5. Capital Assets

Governmental Activities:	Balance 6/30/2014	Additions	Deletions	Balance 6/30/2015
Capital assets, not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	13,791	39,556	-	53,347
Total capital assets, not being depreciated	13,791	39,556	-	53,347
Capital assets, being depreciated:				
Buildings	676,843	-	-	676,843
Improvements other than buildings	471,026	54,690	-	525,716
Furniture, equipment & vehicles	178,239	6,232	-	184,471
Infrastructure	-	-	-	-
Total capital assets, being depreciated	1,326,108	60,922	-	1,387,030
Less accumulated depreciation for:				
Buildings	(34,579)	(20,158)	-	(54,737)
Improvements other than buildings	(33,903)	(25,928)	-	(59,831)
Furniture, equipment & vehicles	(16,547)	(19,929)	-	(36,476)
Infrastructure	-	-	-	-
Total accumulated depreciation	(85,029)	(66,015)	-	(151,044)
Total capital assets, being depreciated, net	1,241,079	(5,093)	-	1,235,986
Governmental activities capital assets, net	<u>\$ 1,254,870</u>	<u>\$ 34,463</u>	<u>\$ -</u>	<u>\$ 1,289,333</u>

Depreciation expense was charged to the functions/programs of the Town as follows:

Governmental Activities:	
General government	\$ 29,214
Public works/streets	17,196
Parks & recreation	19,605
Total depreciation expense - governmental activities	<u>\$ 66,015</u>

TOWN OF TUSAYAN, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 6. Long-Term Debt

The Town does not have any long-term obligations or capital leases outstanding for the year ended June 30, 2015.

Note 7. Interfund Receivables, Payables and Transfers

As of June 30, 2015, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 16,689	\$ -
Grants Fund	-	13,279
STILO Fund	-	3,410
	<u>\$ 16,689</u>	<u>\$ 16,689</u>

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All amounts are expected to be repaid within one year.

Note 8. Retirement and Pension Plans

Arizona State Retirement System (ASRS)

The Town contributes to the Arizona State Retirement System (ASRS) as described below. The plan is a component unit of the State of Arizona.

Plan Description – The Town participates in the Arizona State Retirement System. The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azars.gov.

TOWN OF TUSAYAN, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 8. Retirement and Pension Plans, Continued

Benefits provided – The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Initial Membership Date Before July 1, 2011	Initial Membership Date On or After July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years age 62 5 years age 50* any years age 65	30 years age 55 25 years age 60 10 years age 62 5 years age 50* any years age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

* With actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.6 percent (11.48 percent for retirement and 0.12 percent for long-term disability) of the members' annual covered payroll, and the Town was required by statute to contribute at the actuarially determined rate of 11.6 percent (10.89 percent for retirement, 0.59 percent for health insurance premium benefit, and 0.12 percent for long-term disability) of the active members' annual covered payroll.

TOWN OF TUSAYAN, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 8. Retirement and Pension Plans, Continued

The Town's contributions for the current and 2 preceding fiscal years, all of which were equal to the required contributions, were as follows:

<u>Year Ended June 30,</u>	<u>Retirement Fund</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
2013	\$ -	\$ -	\$ -
2014	\$ -	\$ -	\$ -
2015	\$ 24,093	\$ 1,305	\$ 265

Pension liability – At June 30, 2015, the Town did not report a liability for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2013, to the measurement date of June 30, 2014. Since the Town did not participate in the plan until fiscal year 2015, the net pension liability is not applicable at that date. The Town's proportion of the net pension liability will be based on the Town's actual contributions to the plan relative to the total of all participating employers' contributions in future years.

Pension expense and deferred outflows/inflows of resources – For the year ended June 30, 2015, the Town recognized pension expense for ASRS of \$0 in the statement of activities. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between contributions and proportional share of contributions	-	-
Contributions subsequent to the measurement date	24,093	-
Total	<u>\$ 24,093</u>	<u>\$ -</u>

The \$24,093 reported as deferred outflows of resources related to ASRS pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense during subsequent years.

Due to the fact the set-up was completed after the measurement date of the actuarial report, additional information is not available for disclosure.

TOWN OF TUSAYAN, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 9. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town's insurance protection is provided by the Arizona Municipal Risk Retention Pool, of which the Town is a participating member. The limit for general liability, professional liability, auto liability and physical damage coverage is for \$2,000,000 per occurrence on a claims made basis.

The Arizona Municipal Risk Retention Pool is structured such that members' premiums are based on an actuarial review that will provide adequate reserves to allow the pool to meet its expected financial obligations. The pool has the authority to assess its member's additional premiums should reserves and annual premiums be insufficient to meet the pool's obligations.

Note 10. Contingencies

The Town is involved with various matters of litigation from year to year. It is the opinion of Town officials that these cases will either be handled by the Town's insurance coverage or that they will not have a material effect on the Town's financial condition.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount if any, of the expenditures that may be disallowed by the grantor cannot be determined at this time, although the Town does not anticipate any such amounts.

Note 11. Stabilization Arrangement

The Town has established a General Fund reserve policy to set aside funds that may be needed in the event of an emergency or other unknown event that may adversely affect the Town's financial condition. An emergency reserve of \$250,000, an operating reserve of \$750,000 and a budget stabilization reserve of \$500,000 must be maintained before any expenditure can be authorized. The trigger amount for usage of the operating reserve and the budget stabilization reserve is \$300,000. As of June 30, 2015 the total reserve is \$1,500,000 and is included in the unassigned fund balance of the General Fund.

This page intentionally left blank

TOWN OF TUSAYAN, ARIZONA

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES

FOR THE FOLLOWING MAJOR FUNDS:

General Fund

The **General Fund** is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

Major Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for a particular purpose.

- **Highway User Revenue Fund (Streets)** – This fund is used to account for the Town's share of motor fuel tax revenues which are restricted for the maintaining, repairing, and upgrading of streets.

TOWN OF TUSAYAN, ARIZONA
Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund
Budget & Actual
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes:				
City sales tax	\$ 2,300,000	\$ 2,300,000	\$ 3,359,167	\$ 1,059,167
Total Taxes	<u>2,300,000</u>	<u>2,300,000</u>	<u>3,359,167</u>	<u>1,059,167</u>
Licenses, Permits and Fees:				
Licenses and permits	100	100	530	430
Building permits	75,000	75,000	36,837	(38,163)
Total Licenses, Fees and Permits	<u>75,100</u>	<u>75,100</u>	<u>37,367</u>	<u>(37,733)</u>
Intergovernmental:				
State sales tax	50,000	50,000	50,995	995
Urban revenue sharing	182,400	182,400	181,584	(816)
Total Intergovernmental	<u>232,400</u>	<u>232,400</u>	<u>232,579</u>	<u>179</u>
Interest:				
Interest revenue	5,000	5,000	10,062	5,062
Total Interest	<u>5,000</u>	<u>5,000</u>	<u>10,062</u>	<u>5,062</u>
TOTAL REVENUES	<u>2,612,500</u>	<u>2,612,500</u>	<u>3,639,175</u>	<u>1,026,675</u>

(continued)

TOWN OF TUSAYAN, ARIZONA
Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund
Budget & Actual (Continued)
For the Year Ended June 30, 2015

EXPENDITURES	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
General Government:				
Mayor & Council	96,000	96,000	57,582	38,418
City Manager	468,000	468,000	324,466	143,534
Legal	144,000	144,000	35,829	108,171
Planning & Development	330,000	330,000	277,583	52,417
Magistrate	20,000	20,000	21,350	(1,350)
Contingency	250,000	250,000	126,117	123,883
Total General Government	<u>1,308,000</u>	<u>1,308,000</u>	<u>842,927</u>	<u>465,073</u>
Public Safety:				
Sheriff	<u>505,000</u>	<u>505,000</u>	<u>429,261</u>	<u>75,739</u>
Total Public Safety	<u>505,000</u>	<u>505,000</u>	<u>429,261</u>	<u>75,739</u>
Parks & Recreation				
Parks & Recreation	<u>95,000</u>	<u>95,000</u>	<u>57,966</u>	<u>37,034</u>
Total Parks & Recreation	<u>95,000</u>	<u>95,000</u>	<u>57,966</u>	<u>37,034</u>
Facilities & Grounds:				
Facilities & Grounds	<u>73,500</u>	<u>73,500</u>	<u>46,270</u>	<u>27,230</u>
Total Facilities & Grounds	<u>73,500</u>	<u>73,500</u>	<u>46,270</u>	<u>27,230</u>
Capital Outlay:				
Capital Outlay	<u>583,300</u>	<u>583,300</u>	<u>64,386</u>	<u>518,914</u>
Total Capital Outlay	<u>583,300</u>	<u>583,300</u>	<u>64,386</u>	<u>518,914</u>
TOTAL EXPENDITURES	<u>2,564,800</u>	<u>2,564,800</u>	<u>1,440,810</u>	<u>1,123,990</u>
Excess of Revenues Over/(Under) Expenditures	47,700	47,700	2,198,365	2,150,665
Fund balance, beginning of year	<u>5,548,791</u>	<u>5,548,791</u>	<u>5,548,791</u>	<u>-</u>
Fund balance, end of year	<u>\$ 5,596,491</u>	<u>\$ 5,596,491</u>	<u>\$ 7,747,156</u>	<u>\$ 2,150,665</u>

TOWN OF TUSAYAN, ARIZONA
Schedule of Revenues, Expenditures and Changes in Fund Balance
Highway User Revenue Special Revenue Fund
Budget & Actual
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
REVENUES:				
Intergovernmental revenue	<u>\$ 78,800</u>	<u>\$ 78,800</u>	<u>\$ 81,145</u>	<u>\$ 159,945</u>
Total revenue	<u>78,800</u>	<u>78,800</u>	<u>81,145</u>	<u>159,945</u>
EXPENDITURES:				
Current:				
Public works/streets	<u>75,000</u>	<u>75,000</u>	<u>46,999</u>	<u>28,001</u>
Total expenditures	<u>75,000</u>	<u>75,000</u>	<u>46,999</u>	<u>28,001</u>
Excess of Revenues Over (Under) Expenditures	153,800	153,800	34,146	187,946
Fund balance, beginning of year	<u>176,739</u>	<u>176,739</u>	<u>176,739</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 330,539</u></u>	<u><u>\$ 330,539</u></u>	<u><u>\$ 210,885</u></u>	<u><u>\$ 187,946</u></u>

TOWN OF TUSAYAN, ARIZONA
SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for a particular purpose.

- **Grants Fund** – This fund is used to account for federal and state grants and other contributions that are restricted for specific use.

TOWN OF TUSAYAN, ARIZONA
Schedule of Revenues, Expenditures and Changes in Fund Balance
Grants Special Revenue Fund
Budget & Actual
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUES:				
Intergovernmental revenue	<u>\$ 200,000</u>	<u>\$ 200,000</u>	<u>\$ 24,168</u>	<u>\$ (175,832)</u>
Total revenues	<u>200,000</u>	<u>200,000</u>	<u>24,168</u>	<u>(175,832)</u>
EXPENDITURES:				
Parks and recreation	<u>200,000</u>	<u>200,000</u>	<u>24,168</u>	<u>175,832</u>
Total Expenditures	<u>200,000</u>	<u>200,000</u>	<u>24,168</u>	<u>175,832</u>
Excess of Revenues Over (Under) Expenditures	-	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS

This page intentionally left blank



MEMBERS

CHAD B. ATKINSON, CPA
KRIS J. BRAUNBERGER, CPA
ROBERT S. COX, CPA
TODD B. FELTNER, CPA
K. MARK FROST, CPA
MORRIS J. PEACOCK, CPA

PHILLIP S. PEINE, CPA
STEVEN D. PALMER, CPA
MICHAEL K. SPILKER, CPA
KEVIN L. STEPHENS, CPA
MARK E. TICHENOR, CPA
MICHAEL J. TORGERSON, CPA

**Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

The Honorable Mayor and
Town Council
Tusayan, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Tusayan, Arizona as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Town of Tusayan, Arizona's basic financial statements and have issued our report thereon dated February 15, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Tusayan, Arizona's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Tusayan, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Tusayan, Arizona's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying

schedule of findings and recommendations that we consider to be significant deficiencies.

- 11-1 Year-End Accounting and Financial Statement Controls
- 11-2 Segregation of Duties
- 11-3 Policies and Procedures

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



HintonBurdick, PLLC
Flagstaff, Arizona
February 15, 2016



MEMBERS

CHAD B. ATKINSON, CPA
KRIS J. BRAUNBERGER, CPA
ROBERT S. COX, CPA
TODD B. FELTNER, CPA
K. MARK FROST, CPA
MORRIS J. PEACOCK, CPA

PHILIP S. PEINE, CPA
STEVEN D. PALMER, CPA
MICHAEL K. SPILKER, CPA
KEVIN L. STEPHENS, CPA
MARK E. TICHENOR, CPA
MICHAEL J. TORGERTSON, CPA

**Independent Auditors' Report on
State Legal Compliance**

The Honorable Mayor and
Town Council
Tusayan, Arizona

We have audited the basic financial statements of the Town of Tusayan, Arizona for the year ended June 30, 2015, and have issued our report thereon dated February 15, 2016. Our audit also included test work on the Town of Tusayan's compliance with selected requirements identified in the State of Arizona Revised Statutes and the Arizona State Constitution including, but not limited to, Title 28, Chapter 18, Article 2.

The management of the Town of Tusayan is responsible for the Town's compliance with all requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit; accordingly, we make the following statements:

The Town of Tusayan has established separate funds to account for Highway User Revenue funds. Highway user revenue fund monies received by the Town of Tusayan pursuant to Title 28, Chapter 18, Article 2 and other dedicated state transportation revenues received during the current fiscal year appear to have been used solely for authorized purposes. The funds are administered in accordance with Generally Accepted Accounting Principles. Sources of revenues available and fund balances are reflected in the individual fund financial statements.

Our opinion regarding the Town's compliance with annual expenditure limitations has been issued separately with the Town's Annual Expenditure Limitation Report.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Town of Tusayan complied, in all material respects, with the requirements identified above for the year ended June 30, 2015.

The purpose of this report is solely to describe the scope of our testing of the applicable compliance requirements identified in the Arizona Revised Statutes as noted above and the results of that testing based on the state requirements. Accordingly, this report is not suitable for any other purpose.

HintonBurdick, PLLC

HintonBurdick, PLLC
Flagstaff, Arizona
February 15, 2016

This page intentionally left blank